

## MEMORANDUM

## Staff Summary No. 9

**Date:** August 19, 2022

**To:** Members of the California School Finance Authority

**From:** Katrina M. Johantgen, Executive Director

**Subject:** Resolution No. 22-39 – Approving the Charter School Facilities Credit Enhancement Grant Program (CDFA #84.354A) Award in an Amount Not to Exceed \$2,000,000 to HSCS Facilities, LLC on behalf of Hawking STEAM Charter Schools, Inc. located in San Diego County

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**Background:** The California School Finance Authority (Authority) received a grant award in 2017 under the U.S. Department of Education’s Expanding Quality Charter Schools Program – Credit Enhancement (CE) for Charter Schools Facilities (CFDA # 84.354A), which, for purposes of the Authority’s implementation, has been entitled the Charter Access to Bank Loan (Charter ABLE) Program. This federal grant, authorized under Title V, Part B, Subpart 2 of the Elementary and Secondary Education Act, as amended by the No Child Left Behind Act of 2001, provides \$20,000,000 to support financing to charter schools that have received a reservation of funds through the Charter School Facilities Program or for long-term debt through the Authority’s Conduit Bond and Note Financing Program.

**Application:** The proceeds of the Bonds will be used to (i) finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of certain educational facilities located or to be located at or adjacent to 489 E. Street, Chula Vista CA; (ii) finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of certain educational facilities located at 1275 30<sup>th</sup> Street, San Diego CA (iii) fund any reserve funds, capitalized interest and/or related working capital in connection with such Bonds, as necessary; and (iv) pay certain costs of issuance of the Bonds.

Owed to the size of the projected debt service reserve fund, HSCS Facilities, LLC (the “Borrower”), on behalf of Hawking STEAM Charter Schools Inc. (“HSCS”), is applying for an enhancement award in the amount not-to-exceed \$2,000,000. If program funding is exhausted in the Charter ABLE program but available in another of the Authority’s credit enhancement programs, funds may be awarded from another credit enhancement program’s available funds providing the awardee is eligible. According to information provided by the Borrower, by helping to finance a debt service reserve fund that would otherwise be financed with bond proceeds, the CE Grant allows the Borrower to have that money returned directly to the HSCS classrooms and reduce the overall borrowing cost for HSCS.

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**Eligibility Requirements:** The applicant meets all eligibility requirements of the Program, specifically:

- Good Standing – HSCS is in good standing with Sweetwater Union High School District and confirmation of good standing is on file with the Authority.
- Ability to secure private placement of its debt with an investor(s), secure an investment grade credit rating from a national credit rating agency in conjunction with a public sale, or other evidence, satisfactory to the authority that the transaction will be completed (applicant has a BB+/BBB- pending credit rating and a competent and CSFA experienced financing team).
- HSCS is in a school district (Sweetwater Union High School District) in which more than 50% of the student population is eligible for free or reduced-price lunches.

**Recommendation:** Staff recommends the Board adopt Resolution No. 22-39, awarding HSCS Facilities, LLC, on behalf of Hawking STEAM Charter Schools Inc., a Charter School Facilities Credit Enhancement Grant Program (CDFA #84.354A) Award in a not-to-exceed amount of \$2,000,000.